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C O N F I D E N T I A L SECTION 01 OF 02 ACCRA 000545

SIPDIS

NSC WASHDC FOR MICHELLE GAVIN
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TAGS: [ECON](#) [EFIN](#) [GH](#)
SUBJECT: GHANA: SEEKING HELP AT THE IFIS

REF: ACCRA 00356

Classified By: Philip Cummings, Economic Chief, reasons
1.4 (b) and (d)

¶1. (C) SUMMARY: Finance Minister Duffuor asked the Ambassador to support Ghana's proposals for emergency economic support and a macroeconomic stabilization program with the IMF and World Bank in order to cover its financing gap due to the ongoing fiscal crisis and the effects of the global financial crisis. The GOG is negotiating with the IMF for USD 1 - 1.4 billion in Balance of Payments support and USD 550 million in general budget support from the World Bank. IMF tax administration consultants will be providing the GOG with advice on reforms to the current tax regime.
END SUMMARY

¶2. (C) Minister of Finance and Economic Planning (MOFEP) Dr. Kwabena Duffuor called in the Ambassador twice in May to brief him on the state of play in Ghana's negotiations with the International Monetary Fund (IMF) Article IV team in Accra and the World Bank at the IFI spring meetings in Washington. Noting Ghana's attempts to correct its ongoing fiscal crisis and mitigate the effects of the global financial crisis, Minister Duffuor also made a strong request for USG support in both the IMF and World Bank so that Ghana can secure emergency economic support, including a macroeconomic stabilization program with the IMF and concessional loans from the Bank. Duffuor specifically asked for the Ambassador to reach out to the U.S. Executive Director and Treasury on support for Ghana.

TIME IS MONEY

¶3. (C) In particular, Minister Duffuor is keen to have the IMF Board consider its proposed program at an early July Board meeting so that the government can quickly solidify its plan for economic stabilization and receive its SDR disbursements in order to inject capital into the debt-ridden economy. (NOTE: An early July vote would also lock in IFI support for the GOG's plan prior to President Obama's visit to Ghana on July 10-11. END NOTE.) Duffuor emphasized that he hoped for IMF approval in July and not August; furthermore "we should not be grouped with the other LDCs (for consideration later) because we have oil reserves." Duffuor remarked that he had already engaged the UK government on the issue, and that in his calculus, if the USG and HMG supported Ghana in the IFIs, passage of the GOG package will be assured. The Ambassador promised to speak to Washington.

WHAT'S IN THE BOX?

¶4. (C) According to MOFEP and IMF Resident Representative Arnold McIntyre, the GOG is asking the IFIs for a macroeconomic stabilization program along the following lines. (NOTE: These are preliminary figures that are

currently under discussion between the GOG and the IMF and World Bank, not final amounts. Please protect and handle accordingly. END NOTE.)

1A. 3-YEAR IMF PRGF: Total USD 1 - 1.4 billion

- o USD 425 million in a December 2009 tranche from the IMF's General Allocation of Special Drawing Rights (SDRs) disbursement for Balance of Payments (BOP) support.

- o USD 200 million each year for three years in BOP support from the IMF's General Resources Account.

- o Although not confirmed by McIntyre of the IMF, Minister Duffuor hopes to additionally receive up to USD 420 million in assistance promised at the London G20 meeting.

1B. WORLD BANK ASSISTANCE: Total USD 550 million

- o From the World Bank, USD 550 million in concessional loans in 2009 from increased lending to low-income countries, with 300 million going to general government budget support, 225 million going to road rehabilitation, and 25 million for a natural resource management project.

- o Minister Duffuor related that he asked World Bank Country Director Ishac Diwan for additional funds for projects in water, sanitation, and other projects. However, the World Bank has not agreed to these projects at this time.

SEND IN THE CONSULTANTS

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15. (C) The IMF will send two teams of IMF tax experts to visit Accra this year to assist the GOG in reforming current Ghanaian tax revenue management. (COMMENT: President Mills was a tax law professor prior to his political career and has promised to improve Ghana's tax system while he is in office, and the fiscal crisis and IMF program talks have provided a means for the president to take action on this campaign promise. END COMMENT.)

- o Tax Administration: These experts, working with the Ghanaian Internal Revenue Service (IRS) and Value-Added Tax (VAT) Authorities, will present recommendations for tax reform and greater integration of the IRS and VAT regimes. McIntyre noted that large organizations in particular tend to underreport their earnings, and there is weak compliance with the VAT regime.

- o Oil and Gas Taxation: In June experts will consult with the GOG on revisions to their system of natural resources taxation, especially for oil, gas, and gold. (COMMENT: Both the GOG and the Ghanaian public feel they are getting a raw deal from the country's current gold taxation policies. This tendency drives Ghanaian interest in getting a "better" system in place before oil and gas start pumping. The IMF Res. Rep. also stated that "Ghana has the weakest gold tax regime in Africa." McIntyre believes that the GOG's Petrol Tax Unit, to be established in the IRS, lacks critical expertise. The IMF hopes that improvements to the overall tax system, especially natural resource taxes, will help Ghana to use oil and gas revenues to administer both a Stabilization Fund and a Heritage Fund (Sovereign Wealth Fund). END COMMENT.)

KOSOVO

16. (C) The Ambassador also thanked Duffuor for GOG support of Kosovo's application for membership in the IMF in May and urged similar action on Kosovo's membership in the World Bank.

TEITELBAUM